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100TH CONGRESS *2d Session*	HOUSE OF REPRESENTATIVES	REPORT No. 100-1133

REPORT
ON
LEGISLATIVE REVIEW ACTIVITY
DURING THE 100TH CONGRESS
OF
THE
COMMITTEE ON
WAYS AND MEANS

JANUARY 3, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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COMMITTEE ON WAYS AND MEANS

100th Congress

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ROBERT J. LEONARD, *Chief Counsel*
M. KENNETH BOWLER, *Staff Director*
PHILLIP D. MOSELEY, *Minority Chief of Staff*

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[1] Died June 21, 1988.
[2] Appointed July 7, 1988.

LETTER OF TRANSMITTAL

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., January 3, 1989.

The Honorable DONNALD K. ANDERSON,
Clerk,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. ANDERSON: I am herewith transmitting, pursuant to the Rules of the House of Representatives, the report of the Committee on Ways and Means on its legislative review activity during the 100th Congress.

Sincerely,

DAN ROSTENKOWSKI,
Chairman.

Union Calendar No. 672

100th Congress
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HOUSE OF REPRESENTATIVES

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REPORT ON LEGISLATIVE REVIEW ACTIVITY DURING THE 100TH CONGRESS OF THE COMMITTEE ON WAYS AND MEANS

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MR. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

LEGISLATIVE REVIEW ACTIVITY OF THE COMMITTEE ON WAYS AND MEANS DURING THE 100TH CONGRESS

FOREWORD

Section 936 of the Legislative Reorganization Act of 1946, as originally enacted, provided for legislative review by a standing committee of the House of Representatives of the execution of law falling with the jurisdiction of such committees. The Legislative Reorganization Act of 1970 (Public Law 91-510) and Public Law 92-136 amended the 1946 provision to add the requirement that the jurisdictional standing committees of the House file in "each odd numbered year * * * no later than January 2 * * * a report on the activities of that committee * * * during the Congress ending at noon on January 3 of such year".

The full text of section 136 of the Legislative Reorganization Act of 1946 (2 U.S.C. 190d), as amended by the Legislative Reorganization Act of 1970 (Public Law 91-510), by Public Law 92-136 and Public Law 93-344 is provided below:

> SEC. 136. (a) In order to assist the Congress in—
>
> (1) its analysis, appraisal, and evaluation of the application, administration, and execution of the laws enacted by the Congress, and

(2) its formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate,

each standing committee of the Senate and the House of Representatives shall review and study, on a continuing basis, the application, administration, and execution of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee. Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency, to do so and furnish a report thereon to the Congress. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time.

(b) In each odd-numbered year beginning on or after January 1, 1973, each standing committee of the Senate shall submit, not later than March 31, to the Senate, and each standing committee of the House shall submit, not later than January 2, to the House, a report on the activities of that committee under this section during the Congress ending at noon on January 3 of such year.

(c) The preceding provisions of this section do not apply to the Committees on Appropriations and the Budget of the Senate and the Committees on Appropriations, the Budget, House Administration, Rules, and Standards of Official Conduct of the House.

The following report is submitted by the Committee on Ways and Means pursuant to the above provisions of law.

LEGISLATIVE JURISDICTION

The legislative jurisdiction of the Committee on Ways and Means during the 100th Congress was provided by rule X, clause 1 of the Rules of the House of Representatives, as follows:

(v) Committee on Ways and Means—

(1) Customs, collection districts, and ports of entry and delivery.

(2) Reciprocal trade agreements.

(3) Revenue measures generally.

(4) Revenue measures relating to the insular possessions.

(5) The bonded debt of the United States (subject to requirements of the public debt level set forth in the concurrent resolution on the Budget).

(6) The deposit of public moneys.

(7) Transportation of dutiable goods.

(8) Tax-exempt foundations and charitable trusts.

(9) National social security, except (A) health care and facilities programs that are supported from general revenues as opposed to payroll deductions and (B) work incentive programs.

In the 100th Congress, the Committee on Ways and Means had six standing subcommittees:

Subcommittee on Trade;

Subcommittee on Oversight;

Subcommittee on Select Revenue Measures;

Subcommittee on Health;
Subcommittee on Social Security; and
Subcommittee on Public Assistance and Unemployment Compensation.

Under Rule 4(6) of the Rules of the Committee on Ways and Means, the jurisdiction of the Subcommittee on Oversight:

> * * * includes all matters within the scope of the Committee but shall be limited to existing law and said oversight jurisdiction shall not be exclusive but shall be concurrent with that of the other subcommittees, and with respect to matters involving the Internal Revenue Code said concurrent jurisdiction shall be shared with the full Committee. Before undertaking any investigation or hearing, the chairman of the Subcommittee on Oversight shall confer with the Chairman of the full Committee and the Chairman of any other subcommittee having jurisdiction.

Pursuant to this provision of the Committee's rules, each of the legislative Subcommittees and the Committee have conducted oversight activities in their own areas of jurisdiction, while the Subcommittee on Oversight has provided special attention to particular areas of concern to the Committee.

While the Committee on Ways and Means has always provided legislative review of the programs under its jurisdiction, largely through its tradition of frequent and extensive public hearings, the establishment of specific subcommittees in 1974, including the Subcommittee on Oversight, has significantly increased the Committee's legislative review capability. The legislative review activities of the Committee and its Subcommittees during the 100th Congress will result in increased efficiency and effectiveness in the administration of the laws and programs under the Committee's jurisdiction, resulting in considerable savings in the years ahead.

The memberships of the six Subcommittees of the Committee on Ways and Means in the 100th Congress are as follows:

SUBCOMMITTEE ON TRADE

SAM M. GIBBONS, Florida, *Chairman*

DAN ROSTENKOWSKI, Illinois
ED JENKINS, Georgia
THOMAS J. DOWNEY, New York
DON J. PEASE, Ohio
MARTY RUSSO, Illinois
RICHARD A. GEPHARDT, Missouri
FRANK J. GUARINI, New Jersey
ROBERT T. MATSUI, California

PHILIP M. CRANE, Illinois
BILL ARCHER, Texas [1]
GUY VANDER JAGT, Michigan
BILL FRENZEL, Minnesota
DICK SCHULZE, Pennsylvania
WILLIAM M. THOMAS, California [2]

SUBCOMMITTEE ON OVERSIGHT

J. J. PICKLE, Texas, *Chairman*

BERYL ANTHONY, JR., Arkansas
RONNIE G. FLIPPO, Alabama
BYRON L. DORGAN, North Dakota
HAROLD E. FORD, Tennessee
CHARLES B. RANGEL, New York
ANDY JACOBS, JR., Indiana

DICK SCHULZE, Pennsylvania
BILL FRENZEL, Minnesota [3]
WILLIAM M. THOMAS, California [3]
RAYMOND J. McGRATH, New York
ROD CHANDLER, Washington [2]
E. CLAY SHAW, JR., Florida [2]

SUBCOMMITTEE ON SELECT REVENUE MEASURES

CHARLES B. RANGEL, New York, *Chairman*

RONNIE G. FLIPPO, Alabama
BYRON L. DORGAN, North Dakota
BARBARA B. KENNELLY, Connecticut
MICHAEL A. ANDREWS, Texas
FORTNEY PETE STARK, California
WILLIAM J. COYNE, Pennsylvania
GUY VANDER JAGT, Michigan
RAYMOND J. McGRATH, New York
JUDD GREGG, New Hampshire
HANK BROWN, Colorado

SUBCOMMITTEE ON HEALTH

FORTNEY PETE STARK, California, *Chairman*

BRIAN J. DONNELLY, Massachusetts
WILLIAM J. COYNE, Pennsylvania
J. J. PICKLE, Texas
BERYL ANTHONY, JR., Arkansas
SANDER M. LEVIN, Michigan
JIM MOODY, Wisconsin
BILL GRADISON, Ohio
HAL DAUB, Nebraska
JUDD GREGG, New Hampshire
ROD CHANDLER, Washington

SUBCOMMITTEE ON SOCIAL SECURITY

ANDY JACOBS, JR., Indiana, *Chairman*

RICHARD A. GEPHARDT, Missouri
SAM M. GIBBONS, Florida
SANDER M. LEVIN, Michigan
JIM MOODY, Wisconsin
BILL ARCHER, Texas [1]
PHILIP M. CRANE, Illinois
HAL DAUB, Nebraska [4]
BILL FRENZEL, Minnesota [2]

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

HAROLD FORD, Tennessee, *Chairman*

THOMAS J. DOWNEY, New York, *Acting Chairman* [5]
DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BARBARA B. KENNELLY, Connecticut
BRIAN J. DONNELLY, Massachusetts
MICHAEL A. ANDREWS, Texas
HANK BROWN, Colorado
BILL FRENZEL, Minnesota
BILL GRADISON, Ohio
ROD CHANDLER, Washington [3]
E. CLAY SHAW, JR., Florida [2]

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[1] Regular membership ended upon the death of the Honorable John J. Duncan on June 21, 1988; became ex-officio member on all Subcommittees.

[2] Assigned to Subcommittee on July 15, 1988.

[3] Reassigned to another Subcommittee on July 15, 1988.

[4] Appointed Ranking Minority Member July 15, 1988.

[5] Appointed Acting Chairman April 29, 1987, pursuant to Rule 47 of the Democratic Caucus of the House.

The legislative review activities of the Committee and its Subcommittees in the 100th Congress in each major jurisdictional area are discussed below.

THE INTERNAL REVENUE CODE AND TAX ADMINISTRATION

A. REDUCED CORPORATE INCOME TAX RATES AND REGULATED PUBLIC UTILITY RATES

The Subcommittee on Select Revenue Measures held a hearing on December 14, 1987, on H.R. 1049, a bill to repeal section 203(e) of the Tax Reform Act of 1986 (TRA 1986). That section requires public utility commissions to flow through to customers, in the

form of rate reductions, utility company excess-deferred-tax liabilities no more rapidly than under the average rate assumption method. The average rate assumption method reduces reserves for deferred taxes over a period of years based upon the remaining lives of the assets which gave rise to the reserve for deferred taxes. Asset lives for this purpose are those used for regulatory accounting purposes. Excess-deferred-tax liabilities were created when the TRA 1986 reduced the corporate income tax rate from 46 to 34 percent. No further legislative action was taken regarding H.R. 1049 on this issue.

B. INDIAN FISHING RIGHTS

The Subcommittee on Select Revenue Measures held a hearing on December 14, 1987, on H.R. 2792, a bill to clarify the tax treatment of income arising from the exercise of Indian tribe fishing rights protected by treaties, Executive Orders and Acts of Congress. The bill had been reported by the Committee on Interior and Insular Affairs, to which it was jointly referred, on September 21, 1987. The Subcommittee ordered the bill favorably reported to the Committee on Ways and Means, with a recommended amendment to clarify further the tax treatment of income arising from the exercise of fishing rights, on March 17, 1988. The Committee on Ways and Means reported the bill, as amended, on June 15, 1988, and it passed the House under suspension of the rules on June 20, 1988. H.R. 2792 was referred to the Senate Committee on Indian Affairs on June 22, 1988.

The Senate Committee on Finance included a provision similar to H.R. 2792 in the Miscellaneous Revenue Act of 1988, S. 2238, which was reported to the Senate on August 3, 1988. In the Conference Agreement on H.R. 4333, the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988), conferees agreed to the Senate provision regarding Indian fishing rights contained in S. 2238, which is similar to the provisions contained in H.R. 2792.

C. COTTON RESEARCH AND PROMOTION PROGRAM

The Committee on Ways and Means held a hearing on November 17, 1987, on H.R. 1622, a bill to amend the Cotton Research and Promotion Act of 1966. H.R. 1622 was sequentially referred to the Committee, after having been favorably reported on October 5, 1987, by the Committee on Agriculture. The bill would have extended the voluntary assessment currently paid by domestic producers to importers of cotton and cotton products on a mandatory basis. The assessments are designed to finance cotton research and promotion. The bill would also have made additional changes in the administration of assessments. The Committee on Ways and Means ordered the bill, with an amendment, favorably reported on December 2, 1987. Under the amendment, two-thirds of the voters in a referendum would have to vote to impose assessments. Importers as well as domestic producers would be eligible to vote. The present law authority to refund assessments to domestic producers who do not wish to participate in the program was retained and extended to importers. No further legislative action was taken with respect to the bill.

D. TAXATION OF HOUSING BENEFITS FOR EMPLOYEES OF THE U.S. MISSION TO THE UNITED NATIONS

The Subcommittee on Select Revenue Measures on December 14, 1987, received testimony from the U.S. Ambassador to the United Nations and a representative of the Department of the Treasury regarding the tax treatment of housing benefits paid to employees of the U.S. Mission to the United Nations. No legislative action was taken with respect to this issue.

E. LOW-INCOME HOUSING

The Subcommittee on Select Revenue Measures held hearings on March 2 and 3, 1988, on issues relating to low-income housing. The hearing on March 2, 1988, focused on the low-income housing tax credit in the Internal Revenue Code of 1986 (Internal Revenue Code) section 42, created by TRA 1986. Although no further legislative action was taken by the Subcommittee with respect to the credit, most of the current-law provisions were discussed during the hearing.

The hearing on March 3, 1988, focused on the role of tax policy in preserving the stock of low-income housing. In addition, testimony was received on H.R. 3663, a bill to provide incentives to prevent the loss of low-income housing. No further legislative action was taken on that bill.

Several technical corrections and substantive changes were made in TAMRA 1988. Such changes included an expansion of low-income housing tax-credit carryovers and a removal of restrictions on ownership of certain large partnerships qualifying for special recapture treatment by corporations. The rule reverses a TRA 1986 provision and allows recapture at the partnership level rather than at the partner level.

F. INVESTMENT USES OF LIFE INSURANCE

On March 15, 1988, the Subcommittee on Select Revenue Measures held a public hearing on issues relating to the tax treatment of single-premium and other investment-oriented life insurance. The Subcommittee received testimony from the Department of the Treasury, the General Accounting Office (GAO) and members of the public. The Subcommittee analyzed the uses of single-premium policies and other policies marketed primarily as investment, as opposed to insurance protection, contracts.

As a result of the hearing and consideration of the issue by the Subcommittee and Committee, a provision was included in TAMRA 1988 which changed the Federal income tax treatment of loans and other amounts received under a class of life insurance contracts which does not satisfy a specific premium-payment test. The purpose of this provision is to discourage the purchase of life insurance contracts as tax-sheltered investment vehicles, as opposed to contracts for insurance protection. The provision applies to life insurance contracts entered into on or before June 21, 1988. Provisions relating to determining the tax treatment of income in the case of a loan under an annuity contract are effective as of October 21, 1988. The conferees also agreed to accept the provision in the

House bill requiring the Secretary of the Treasury and the Comptroller General to conduct separate studies of the tax treatment of life insurance and annuity contracts and report to the Committee no later than June 1, 1989.

G. CERTAIN ASPECTS OF LIFE INSURANCE COMPANY TAXATION

In the Deficit Reduction Act of 1984 (DEFRA 1984), the Congress substantially revised provisions governing the taxation of life insurance companies, including limiting the deduction for policyholder dividends paid by mutual life insurance companies. DEFRA 1984 also provided that the Department of the Treasury would study the amount of Federal income tax paid by the life insurance industry, and the relative Federal income tax burden of mutual and stock life insurance companies. The Department of the Treasury provided the first interim report to the Congress on June 15, 1988.

On September 27, 1988, the Subcommittee on Select Revenue Measures held a public hearing on an overview of Federal tax treatment of life insurance companies and the 1988 interim Department of the Treasury report. The Subcommittee received testimony from the Department of the Treasury, GAO, academicians, and other members of the public. Testimony was taken on the amount of taxes paid by the life insurance industry, the relative tax burden of mutual life insurance companies and stock life insurance companies, and the background and purposes of DEFRA 1984 provisions. The Subcommittee agreed to make no legislative recommendations regarding these issues during the 100th Congress. The Department of the Treasury is mandated by DEFRA 1984 to provide the Congress with a final report on these provisions by January 1, 1989.

H. THE TECHNICAL AND MISCELLANEOUS REVENUE ACT OF 1988

On June 10, 1987, Chairman Rostenkowski and Mr. Duncan introduced H.R. 2636, a bill to make technical corrections to TRA 1986, and corrections to other recent tax legislation. Chairman Rostenkowski provided the public an opportunity to submit written comments on the bill. The Committee received over 2,000 written comments which were published on June 9, 1988. The Committee reported technical corrections, along with revenue measures and miscellaneous provisions, to the Committee on the Budget on October 15, 1987. These were included as part of the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987), reported to the House by the Committee on the Budget and passed by the House on October 29, 1987. Provisions dealing with technical corrections were subsequently dropped in the conference on OBRA 1987 because of the agreement made among House, Senate, and Administration negotiators (the Bipartsan Summit Agreement) on deficit reduction.

On March 31, 1988, Chairman Rostenkowski and Mr. Duncan reintroduced technical corrections legislation as H.R. 4333, TAMRA 1988. This bill contained technical corrections to TRA 1986, OBRA 1987, and other recent tax legislation. On July 14, 1988, the Committee reported the bill, incorporating various extensions of expiring provisions, revenue provisions, and miscellaneous provisions into the legislation.

In addition to those areas where the Committee and its Subcommittees held hearings, provisions in TAMRA 1988 made substantive changes or provided clarification to the Internal Revenue Code in the following areas: (1) employer-provided educational assistance; (2) tax-exempt bonds; (3) excise taxes on alcohol and diesel fuel; (4) accounting provisions; (5) employment compensation, employee plans and pensions; (6) treatment of foreign income; and, (7) exempt organizations. Certain pension-related technical corrections were removed from the bill and introduced as separate legislation (see the following discussion).

On August 4, 1988, the House passed H.R. 4333. Following Senate passage, with amendments, on October 11, 1988, a conference was held on the legislation and both the House and Senate agreed to the conference report on October 22, 1988. The bill was signed into law by the President on November 10, 1988 (Public Law 100–647).

I. PENSION-RELATED TECHNICAL CORRECTIONS

Chairman Rostenkowski introduced H.R. 4845, a bill making certain pension-related technical corrections, on June 16, 1988. As introduced, H.R. 4845 was comprised exclusively of those provisions in the introduced version of H.R. 4333, which made technical corrections related both to the Internal Revenue Code, and to Title I or Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). With certain exceptions, these ERISA-related provisions were at the same time dropped from H.R. 4333. Jurisdiction over these ERISA-related provisions is shared jointly by the Committee on Ways and Means and the Committee on Education and Labor. H.R. 4845 was referred jointly to the Committee on Ways and Means and the Committee on Education and Labor.

The Committee on Ways and Means held no hearings on H.R. 4845, but received public comment on the ERISA-related technical corrections contained in the bill in the same manner as it received public comment on the non-ERISA-related technical corrections contained in H.R. 4333. H.R. 4845 was ordered reported to the House, with amendments, on July 14, 1988.

The Committee on Education and Labor ordered reported its version of H.R. 4845, on September 5, 1988. Included in the Committee on Education and Labor version of H.R. 4845 was H.R. 1961, the Pension Portability Act of 1988, as amended, which was introduced on April 7, 1987, and referred jointly to the Committee on Education and Labor and the Committee on Ways and Means.

Because of the number of new tax-related provisions in H.R. 4845, as reported by the Committee on Education and Labor, including H.R. 1961, on which the Committee on Ways and Means had taken no action, the bill was sequentially referred back to the Committee on Ways and Means. No further legislative action was taken on H.R. 4845.

Provisions corresponding to the ERISA-related provisions of H.R. 4845 were included in S. 2238, the Senate version of the technical corrections bill, as introduced in the Senate on March 31, 1988, and as ordered reported by the Senate Committee on Finance to the Senate on August 3, 1988. However, with certain exceptions, these ERISA-related provisions were stripped out of S. 2238 by the floor

amendment offered by the Senate Committee on Finance and agreed to by the Senate on September 12, 1988. Accordingly, those ERISA-related provisions that were removed from both H.R. 4333 and S. 2238 were not subjects of the conference on these bills, and are not included in TAMRA 1988.

J. THE INTERSTATE SALES TAX COLLECTION ACT

A State or local government may impose taxes on sales that occur within its jurisdiction. In the case of an out-of-State vendor, however, the U.S. Supreme Court has held that a State or local government cannot constitutionally require the vendor to collect and remit sales taxes absent a sufficient business nexus with the State (generally meaning that the vendor arranges sales through local agents or maintains retail stores in the taxing State). The required nexus was held not to exist where the vendor's only connection with customers in the State is by common carrier or the United States mail.

The Interstate Sales Tax Collection Act, H.R. 1242, was jointly referred to the Committee on Ways and Means and the Committee on the Judiciary. H.R. 1242 would authorize States or local governments to require retailers to collect sales and use taxes on interstate sales, and would amend the Internal Revenue Code to require retailers to file information returns with the Internal Revenue Service (IRS) for the purpose of assisting States in the collection of such taxes. On May 13, 1987, the Subcommittee on Select Revenue Measures held a public hearing on H.R. 1242. The bill was reported, with amendments, to the Committee on Ways and Means on November 5, 1987. Because jurisdiction over the provision is shared jointly with the Committee on the Judiciary, the bill was referred to that Committee. The legislation was pending in the Committee on the Judiciary at the adjournment of the 100th Congress.

K. MASTER LIMITED PARTNERSHIPS

In 1986, the Subcommittee on Select Revenue Measures began a series of hearings designed to study the current-law treatment of the various pass-through entities established or facilitated by the Internal Revenue Code. On June 30 and July 1, 1987, the Subcommittee held a set of hearings to consider the application of the provisions of Subchapter K of the Internal Revenue Code related to master limited partnerships. The hearings focused on the use and nature of master limited partnerships, including the reasons for any changes in taxpayer behavior in light of TRA 1986, and the implications such changes might have regarding projected revenue collections from the corporate sector. The hearings also involved the application of Internal Revenue Code section 7701 classification regulations to master limited partnerships, as well as alternative proposals for classification standards.

The Subcommittee received testimony from the Department of the Treasury as well as interested members of the public. As a result of this hearing and further consideration of this issue by the Committee, a provision was included in OBRA 1987 which reclassifies certain publicly-traded partnerships as corporations unless 90 percent or more of the gross income of the partnership is qualify-

ing income (e.g. dividends and income and gains from certain natural resources activities).

L. INTERNAL REVENUE SERVICE OPERATIONS AND BUDGET

Throughout the 100th Congress, the Subcommittee on Oversight continued its review of IRS operations. The Subcommittee held hearings on February 6, 1987, and February 23, 1988, respectively, to review overall IRS operations and IRS implementation of TRA 1986. Testimony at these hearings addressed the 1987 and 1988 tax return filing seasons, the capacity and modernization of computer and telecommunication operations, and the accuracy and availability of taxpayer assistance.

In addition, the Subcommittee conducted hearings to review the adequacy of the staffing and funding levels for the IRS as proposed in the Administration's fiscal year 1988 and 1989 budget submissions to the Congress. On April 23, 1987, the Subcommittee reviewed the fiscal year 1988 budget submitted by the Administration. Testimony at that hearing raised concerns about the availability of taxpayer assistance during implementation of TRA 1986. Committee Chairman Rostenkowski supported by the Subcommittee Chairman and Members recommended to the Chairman of the Committee on Appropriations Subcommittee on Treasury, Postal Service and General Government an increase in IRS funding and staffing levels in several IRS functions beyond the amount and level proposed by the Administration. This recommendation was accepted by the Committee on Appropriations, and incorporated into OBRA 1987.

On April 13, 1988, the Subcommittee reviewed the fiscal year 1989 IRS budget submitted by the Administration. Again, testimony was received concerning deficiencies that existed in the quality of IRS service provided to taxpayers. Committee Chairman Rostenkowski and the Subcommittee on Oversight Chairman recommended to the Chairman of the Committee on Appropriations Subcommittee on Treasury, Postal Service and General Government an increase in IRS funding and staffing levels in several IRS functions beyond the amount and levels proposed by the Administration. This recommendation was not included in the fiscal year 1989 appropriation to the Department of the Treasury because of the Bipartisan Summit Agreement.

In addition, the Subcommittee on Oversight hearings on February 6, 1987, and February 23, 1988, and recommendations to the Committee on Appropriations, addressed the operations and proposed budget levels of the United States Tax Court. Discussion focused on the continuing backlog of cases in the U.S. Tax Court, and related delays.

M. TAXPAYER SAFEGUARDS

The Subcommittee on Oversight monitors IRS audit, collection, appeals and taxpayer-services functions. The purpose of the Subcommittee's activities is to identify new developments involving administration of the tax laws, to handle emerging problem areas as they develop, and to assess overall agency performance. Additionally, working closely with the IRS's Taxpayer Ombudsman and the

Problem Resolution Program, the Subcommittee assists taxpayers in resolving problems they encounter with the IRS. Through this process, the Subcommittee identifies systemic problems affecting the administration of the Federal tax system, refers such problems to the IRS, and monitors the IRS to assure that problems are addressed in a timely manner.

During the 100th Congress, Members of the Subcommittee introduced and cosponsored several bills reforming the administrative practices of the IRS and the U.S. Tax Court, and provided additional protections for taxpayers. The provisions of these bills were considered during the conference on TAMRA 1988. The Conference Agreement on TAMRA 1988 included provisions for: (1) specific disclosure of taxpayer rights; (2) clarification of procedures involving taxpayer interviews; (3) taxpayers' reliance on the written advice of the IRS; (4) creation of taxpayer-assistance orders; (5) restrictions on the use of certain enforcement data when evaluating the performance of IRS personnel; (6) clarification notices sent to taxpayers; (7) certain changes in the installment payment of tax liability; (8) creation of an Assistant Commissioner for taxpayer services; (9) reform of the levy and lien procedures; (10) recovery of costs and damages from the IRS and tax preparers in certain circumstances; and, (11) modification of the jurisdiction of the U.S. Tax Court.

N. LOBBYING AND POLITICAL ACTIVITIES

The Subcommittee on Oversight held hearings on March 12 and 13, 1987, to review the Federal tax rules applicable to the lobbying and political activities of organizations that have tax-exempt status under section 501 of the Internal Revenue Code. The Subcommittee examined the adequacy of current law applicable to lobbying and political activities of tax-exempt organizations, as well as the IRS's enforcement activities. The scope of the hearings included a review of the overall basic definitions of lobbying and political activities, but did not address proposed regulations issued by the Department of the Treasury regarding lobbying by organizations electing under Internal Revenue Code section 501(h).

Based upon testimony received from the Department of Treasury, the IRS, and other witnesses, a Subcommittee report containing recommendations for improvement of the current law rules was forwarded to the Committee on June 8, 1987.

The Subcommittee recommended the following: (1) disclosure by certain tax-exempt organizations of the non-deductibility of contributions; (2) availability of exemption applications and annual information returns for public inspection; (3) disclosure of additional information of section 501(c)(3) organizations; (4) statutory language clarifying that 501(c)(3) organizations are prohibited from engaging in political campaign activities; and, (5) imposition of excise taxes on prohibited political expenditures or disqualifying lobbying expenditures. On July 23, 1987, the Subcommittee recommendations were accepted, with two amendments, by the Committee and enacted as part of OBRA 1987.

O. UNRELATED BUSINESS INCOME TAX

During the 100th Congress, the Subcommittee on Oversight conducted a comprehensive review of the Federal tax treatment of commercial and other income-producing activities of organizations that have tax-exempt status under Internal Revenue Code section 501. These organizations include, among others: charitable, educational, scientific, and religious organizations; social welfare organizations; labor or agricultural organizations; trade associations; social clubs; voluntary employee benefit associations; and, qualified pension plans.

The unrelated business income tax was enacted in 1950, and revised and expanded in 1969. With limited exceptions, there had been no comprehensive review of the unrelated business income tax rules since 1969. Hearings on the unrelated business income tax were held on June 22, 25, 26, 29, and 30, 1987. The purpose of the hearings was to examine the policies underlying the tax treatment of income-producing activities of tax-exempt organizations, the impact of present-law rules on both tax-exempt organizations and for-profit businesses, as well as the IRS's administration of, and taxpayer compliance with, the law. The Subcommittee sought to determine whether the current rules set forth the appropriate standards for determining the taxability of the income-producing activities of tax-exempt organizations, and the effect of such activities on an organization's tax-exempt status. Testimony was received from the Department of the Treasury, the IRS, the Small Business Administration, and numerous non-profit and for-profit organizations.

On March 31, 1988, the Subcommittee announced the release of preliminary discussion options regarding the unrelated business income tax, and a request for public comments. Following the public comment period and a follow-up hearing on May 9, 1988, the Subcommittee met on several occasions to discuss and reach tentative agreement on recommendations for improvements of the unrelated business income tax rules. The Subcommittee is expected to complete its review and submit recommendations for legislative and administrative action to the Committee in the 101st Congress.

P. TAX RULES APPLICABLE TO TAX-EXEMPT ORGANIZATIONS INVOLVED IN TELEVISION MINISTRIES

On October 6, 1987, the Subcommittee on Oversight held a hearing to review whether the Federal tax rules applicable to tax-exempt organizations involving television ministries are adequate to ensure that tax-deductible contributions are utilized for tax-exempt purposes; whether organizations are complying with these rules; and, whether the IRS is enforcing these rules. The Subcommittee received testimony from invited witnesses, including the Department of the Treasury, the IRS, and individuals representing their television ministries. Testimony received by the Subcommittee emphasized that, in general, the current-tax rules included in the Internal Revenue Code sections 501(c) and 170 are adequate to protect the interests of the public. However, there was continued Subcommittee concern regarding compliance with the law, and IRS enforcement thereof. Therefore, as a follow-up to that hearing, the

Subcommittee requested quarterly status reports from the IRS on their enforcement and compliance activities, including identification of the areas of noncompliance.

Q. INCOME TAX COMPLIANCE AND THE TAX GAP

The "tax gap" is an estimate of the difference between the amount of taxes voluntarily paid in a taxable year and the amount of taxes that would have been paid if all taxpayers had filed complete and accurate returns. The "tax gap" results primarily from individual and corporate noncompliance, which includes the failure to file returns, report income, calculate deductions properly, and pay taxes correctly and on time.

On March 17, 1988, the Subcommittee on Oversight conducted a hearing on the IRS's 1988 report on income tax compliance and "tax gap" estimates and projections for 1973 through 1992. The Commissioner of the IRS reported that the "tax gap" for tax year 1987 is $84.9 billion, and is projected to be $113.7 billion by 1992. The amount for tax year 1987 consists of $63.5 billion attributable to individual filers, and $21.4 billion attributable to corporate filers.

The Subcommittee will continue to investigate both individual and corporate compliance in the 101st Congress, and receive updates on future "tax gap" estimates and trends.

R. CIVIL TAX PENALTIES SYSTEM

The Subcommittee on Oversight held hearings on March 31, and July 28, 1988, to review the structure, application, fairness, and effectiveness of the civil penalty provisions contained in the Internal Revenue Code. The Subcommittee received testimony from numerous witnesses including the Department of the Treasury, the IRS, tax practitioners, professional organizations, and academicians.

The Internal Revenue Code contains nearly 150 provisions designed to penalize those who do not conform to requirements of laws relating to Federal taxes. During the last few years, the Congress enacted several new penalties, and increased the amount of some existing penalties, in an effort to reverse a rising tide of noncompliance.

Civil tax penalties cover a wide range of activities and are of concern to varying segments of the population. The penalties subject to the Subcommittee's review may be characterized as falling into one or more of the following categories: (1) understatement penalties; (2) failure-to-file/failure-to-pay penalties; (3) information-return/third-party-reporting penalties; (4) preparer/promoter/protestor penalties; and, (5) exempt-organization/employee-plan penalties (excise taxes and revocation).

The Subcommittee developed a substantial record to consider recommendations for reforming present-law Internal Revenue Code penalties, and intends to provide a report with recommendations to the full Committee upon completion of its review in the 101st Congress.

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Legislative Review of Trust Funds

A. WORKERS' COMPENSATION FUNDS

In general, State workers' compensation funds are subject to Federal income tax as mutual property and casualty insurance companies. The Internal Revenue Service (IRS) audited certain of these funds, questioning the timing of deductions for policyholder dividends. In the Tax Reform Act of 1986 (TRA 1986), a temporary moratorium of pending audit and collection activities was provided to allow the Congress the opportunity to review these issues.

On April 7, 1988, the Subcommittee on Select Revenue Measures held a public hearing on the tax treatment of these funds. The Subcommittee received testimony from the Department of the Treasury as well as interested members of the public. As a result of this hearing, the Subcommittee drafted a provision included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988) which resolved the issue of timing of deductions for policyholder dividends and further provided relief for taxable years beginning before January 1, 1987.

B. SULFUR AND NITROGEN EMISSIONS TAX ACT

On September 9, 1987, the Committee held a hearing to consider H.R. 2497, the Sulfur and Nitrogen Emissions Tax Act of 1987. H.R. 2497 imposes an excise tax on sulfur dioxide and nitrogen oxide emissions from certain facilities producing the greatest emission. Revenue from the excise tax would finance a trust fund aimed at reducing the air pollutants that precede the formation of acid rain. Revenues from the excise tax, deposited in a new sulfur dioxide and nitrogen emissions (SANE) trust fund, would have been available to assist taxpayers in reducing taxable emissions.

The Committee received testimony from the Department of the Treasury and interested members of the public. No further legislative action was taken with respect to the bill.

C. AIRPORT AND AIRWAY TRUST FUND

On August 11, the Subcommittee on Oversight held a hearing to review the operation and future status of the Airport and Airway Trust Fund. The hearing examined whether the aviation excise-tax revenues deposited into the trust fund are being properly and adequately directed toward current and anticipated aviation problems. The Subcommittee's review was conducted in light of the automatic aviation-tax-reduction trigger, which was included in the Airport and Airway Safety and Capacity Expansion Act of 1987 (Public Law 100–223).

Testimony was received from the Chairman of the Committee on Public Works and Transportation, the Department of Transportation, the Federal Aviation Administration, and invited representatives of the aviation industry. These witnesses discussed airport and airway program appropriations directed toward increasing airport capacity, improving airport safety, abating aircraft noise levels, and modernizing airport equipment, including the air traffic control system. Witnesses expressed concern that despite outstand-

ing needs and a $6 billion trust fund balance, trust fund appropriations for airport improvements, facilities and equipment, and research, engineering and development, are less than 85 percent of the authorized levels for fiscal years 1988 and 1989. Witnesses also discussed the impact of the automatic aviation-tax-reduction trigger on the future status of the trust fund. The Subcommittee intends to continue to monitor legislative and administrative developments affecting the operation of the Airport and Airway Trust Fund.

D. VACCINE INJURY COMPENSATION TRUST FUND AND RELATED EXCISE TAXES

The National Vaccine Injury Compensation Program provides a no-fault Federal insurance system to compensate individuals who suffer injury or death due to the administration of certain prescribed vaccines (diptheria, pertussis, and tetanus (DPT), measles, mumps, and rubella (MMR), and polio).

On March 5, 1987, the Subcommittee on Select Revenue Measures held a public hearing to consider the appropriate method for funding the National Vaccine Injury Compensation Program. Testimony was received from the Department of the Treasury and interested members of the public. As a result of that hearing and a markup by the Subcommittee on July 13, 1987, a provision was included in the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) which imposes a per-dose excise tax on the sale of commonly-prescribed vaccines, with the net revenues from the tax to be deposited in a new Vaccine Injury Compensation Trust Fund, to be used to compensate injuries from vaccines administered after September 30, 1987, and before the termination of the program.

LEGISLATIVE REVIEW OF PENSION MATTERS

The Subcommittee on Oversight continued its review of issues affecting pensions and employee benefits under the Employee Retirement Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986 (Internal Revenue Code). Hearings were held to review the following issues related to pension plans: (1) funding and termination practices of defined benefit pension plans; (2) proposed reforms to the insurance premium structure of the Pension Benefit Guaranty Corporation (PBGC); (3) the investment of pension plans assets; (4) the portability of pension benefits; and, (5) employer-sponsored retiree health benefit plans.

A. PENSION PLAN FUNDING

During the 100th Congress, the Committee reviewed the financial condition of the defined benefit pension plan system. The focus of this review was the funding practices of defined benefit pension plans and the impact of these practices on pension plan participants, the financial solvency of the Pension Benefit Guaranty Corporation (PBGC) trust funds, and the insurance premium payments paid by defined benefit plan sponsors.

On March 6, 1987, the Subcommittee on Oversight held a hearing to consider proposals in the President's competitiveness initia-

tive that would affect the funding and termination of defined benefit pension plans. The Subcommittee held additional hearings on April 7 and 9, 1987, to receive public comments on the Administration's proposals, and to receive the recommendations of the PBGC on initiating a system of variable-rate pension plan insurance premiums. On June 30, 1987, the Subcommittee met to review proposals discussed at the hearings which were designed to: strengthen the minimum funding requirements applicable to defined benefit pension plans; increase the financial solvency of the PBGC trust funds through premium increases; increase the liability of sponsors to the PBGC and plan participants subsequent to the termination of an insufficiently-funded defined benefit pension plan; and, impose additional restrictions and excise taxes on the termination of defined benefit pension plans with excess funds. The Subcommittee agreed to recommendations which were forwarded to the Committee.

The Committee considered the Subcommittee's recommendations during the Committee's markup of the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987). The Committee adopted, with amendments, the Subcommittee recommendations on July 22, 1987, and reported them to the Committee on the Budget on October 15, 1987. These provisions passed the House on October 29, 1987, and were considered, along with alternative proposals recommended by the Committee on Education and Labor, the Senate Committee on Finance, and the Senate Committee on Labor and Human Resources, as part of the conference deliberations on OBRA 1987. The Conference Agreement incorporated major provisions from both the House and Senate Committee proposals. On December 22, 1987, the provisions, referred to as the Pension Protection Act of 1987, became part of OBRA 1987.

OBRA 1987 did not include a Committee on Ways and Means proposal to increase the excise tax on the reversion of excess plan assets to plan sponsors. However, this issue was again considered during the conference on the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988), at which time the excise tax on asset reversions was permanently raised to 15 percent.

B. INVESTMENT OF PENSION PLAN ASSETS

On July 12, 1988, the Subcommittee on Oversight held a hearing to review the investment of pension plan assets. The Subcommittee considered the adequacy of the current provisions of ERISA governing the investment of plan assets, and the level of enforcement activity by the Department of Labor and the Internal Revenue Service (IRS). The Subcommittee also reviewed the effect that stock-market fluctuations had on the financial stability of pension plans. No legislative action was taken on this issue during the 100th Congress.

C. PORTABILITY OF PENSION BENEFITS

On July 12, 1988, the Subcommittee on Oversight held hearings to review the portability of pension plan benefits. The subject of pension portability had been previously considered by the conferees on OBRA 1987. The conferees agreed that the matter should be the

subject of additional hearings by the Committee on Ways and Means. The Subcommittee examined the pension benefit losses due to employment mobility, and evaluated legislative proposals to limit such losses. No recommendations for changes in current law were made to the Committee.

D. EMPLOYER-SPONSORED RETIREE HEALTH BENEFIT PLANS

On September 15, 1988, the Subcommittee on Oversight held a hearing to examine the current availability of employer-sponsored retiree health benefits, and the potential effect of accounting changes being developed by the Financial Accounting Standards Board. At the hearing, the Subcommittee received testimony from a broad range of public and private sector witnesses addressing: the availability of employer-sponsored health insurance; the extent of employers' existing liability for retiree health benefits; the factors affecting the continued availability of employer-sponsored health insurance, including increasing longevity and escalating health care costs; and, the potential impact of new accounting rules.

The hearing was the first in an anticipated series of hearings to determine what role the Federal government should take in encouraging and protecting retiree health benefits. The Subcommittee did not make any recommendations for legislative action to the Committee.

LEGISLATIVE REVIEW IN PUBLIC DEBT MATTERS

On April 30, 1987, the Committee conducted a hearing addressing the President's request for an increase in the public debt limit. The limit on the public debt was $2.3 trillion through May 15, 1987, at which time the debt ceiling would revert to its permanent level of $2.111 trillion. At the hearing, Administration officials indicated that on May 16, 1987, the actual debt subject to limit would be above the permanent debt limit, and that beginning on that date the Department of the Treasury would not be able to issue public debt securities to roll over maturing issues or to raise cash. The Department of the Treasury also indicated that expiration of the temporary debt ceiling, if not addressed by May 28, 1987, would cause a cash default.

Subsequently, on May 11, 1987, the Committee favorably reported H.R. 2360, a bill temporarily increasing the permanent public debt limit by $20 billion, from $2.3 trillion to $2.32 trillion through July 17, 1987, after which time the limit would revert to its permanent level of $2.111 trillion. The bill passed the House on May 13, 1987, and the Senate on May 14, 1987, and was signed by the President on May 15, 1987 (Public Law 100–40).

The Committee addressed the public debt limit several additional times during the 100th Congress. On June 23, 1987, H.J. Res. 324, a bill to provide for a permanent increase in the public debt limit, passed the House under the automatic procedure established by House Rule XLIX. The Senate passed H.J. Res 324 on July 31, 1987, with amendments to revise sequestration procedures and make changes in the budget process. However, House-Senate conferees were unable to reach agreement on H.J. Res. 324 before the Congress adjourned for the August recess. Therefore, on July 28,

1987, the Committee favorably reported H.R. 3022, a bill to temporarily extend the $2.32 trillion debt limit through August 26, 1987. H.R. 3022 passed the House and Senate on July 29, 1987, and was signed into law on July 30, 1987 (Public Law 100–80). On August 7, 1987, subsequent to being introduced by Chairman Rostenkowski, H.R. 3190, a bill providing for a temporary increase in the public debt limit to $2.352 trillion through September 23, 1987, was engrossed and deemed passed by the House. The Senate passed the bill, without amendment, on August 7, 1987, and the bill was signed into law by the President on August 10, 1987 (Public Law 100–84).

The Committee's activity on matters relating to the public debt concluded in the 100th Congress with the final passage of H.J. Res. 324. On August 4, 1987, the Committee published a print entitled, "Proposal by Chairman Rostenkowski to Restore Automatic Trigger in Gramm-Rudman-Hollings." The proposal by Chairman Rostenkowski would have amended the Balanced Budget and Emergency Deficit Control Act of 1985, frequently known as Gramm-Rudman-Hollings (Gramm-Rudman) (Public Law 99–177). The principal amendments contained in the proposal included restoring the automatic sequestration mechanism for two years, granting the Office of Management and Budget final authority to determine the sequestration order, and revising deficit targets. A conference report was agreed to in the House on September 22, 1987, and in the Senate on September 23, 1987. The bill was approved on September 29, 1987 (Public Law 100–119). The Gramm-Rudman amendments, as passed, reinstated the automatic sequestration process of the original Gramm-Rudman bill, granted the Office of Management and Budget the authority to make the final determination of the sequester order and revised the timetable for sequestration. The amendments also revised the deficit targets and potential sequestration amounts. The target for fiscal year 1988 was to reduce the deficit by $23 billion from the baseline. The bill was signed into law by the President on September 29, 1987 (Public Law 100–119). This law provided for an increase in the permanent public debt to $2.8 trillion.

Legislative Review of the Administration's Economic Program and Budget Proposals

In January 1987, the Administration introduced its budget for fiscal year 1988. The Committee held four hearings on the President's budget proposals on February 3, 4, 11 and 25, 1987. Administration witnesses testifying at these hearings were the Director of the Office of Management and Budget and representatives from the Departments of Labor, the Treasury and Health and Human Services. The Director of the Congressional Budget Office and four invited economic experts testified about the economic implications of various budget proposals, the impact of the deficit on the economy and their expectations for the performance of the economy.

The Concurrent Resolution on the Budget-Fiscal Year 1988 (H. Con. Res. 93) directed the Committee to develop legislation raising $19.3 billion of revenue for fiscal year 1988, $22.0 billion for fiscal year 1989, and $23.0 billion for fiscal year 1990. As an initial step,

the Committee, along with the Joint Committee on Taxation, prepared a pamphlet entitled "Description of Possible Options to Increase Revenues," published on June 25, 1987. Committee hearings were held on July 7, 8, 9 and 15, 1987, on these options. More than 80 witnesses were heard and more than 800 written submissions were received. The Committee had previously received testimony from the Administration and other witnesses regarding the Administration's revenue proposals for 1988.

In October 1987, the Committee submitted its budget reconciliation recommendations to the Committee on the Budget. These recommendations, including both spending cuts and revenues, satisfied the Committee's outlay reconciliation instruction to reduce spending by $1.6 billion in fiscal year 1988, and $9.2 billion over the three-year period from fiscal year 1988–1990. The Committee reported the revenue measures component of the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) to the Committee on the Budget on October 15, 1987. Following a prior agreement with the House Leadership, and the new deficit target for fiscal year 1988 established under the amendments to the Balanced Budget and Emergency Deficit Control Act of 1985, the net-revenue-increase target was reduced to $12 billion in fiscal year 1988. The provisions reported by the Committee on October 15, 1987, would have increased revenues by $12.0 billion in fiscal year 1988, $20.0 billion fiscal year 1989 and $19.5 billion in fiscal year 1990. Also included in the reported provisions was a set of technical corrections to the Tax Reform Act of 1986 (TRA 1986). These provisions closely followed H.R. 2636, the Technical Corrections Act of 1987, which was introduced on June 10, 1987. No hearing was held on H.R. 2636, but in lieu thereof, written submission from the public was encouraged. Over 2,000 submissions were received and subsequently published. The recommendations of the Committee were incorporated in Titles IX and X of H.R. 3545, OBRA 1987, (H. Rept. No. 100–391, Part 2), which was adopted by the House on October 29, 1987.

On November 20, 1987, the President and the joint leadership of the Congress announced that they had reached agreement on the terms of a Budget Summit Agreement. This compromise deficit-reduction plan called for deficit reductions totaling $76 billion in fiscal years 1988 and 1989. The agreement called for unspecified tax increases of $9 billion in fiscal year 1988 and $14 billion in fiscal year 1989. In addition, the Budget Summit Agreement called for outlay reductions in entitlement programs totaling $4 billion in fiscal year 1988, and $5.95 billion in fiscal year 1989, including $2 billion in unspecified cuts in the Medicare Program. Following Senate passage of the reconciliation bill, with amendments, on December 10, 1987, a conference was held on H.R. 3545. With respect to the revenue provisions of the bill, the Conference Agreement called for revenue-increasing provisions only, totaling $9.4 billion in fiscal year 1988, $14.4 billion in fiscal year 1989, and $15.8 billion in fiscal year 1990. Both the House and the Senate agreed to the conference report on December 21, 1987. The bill was signed into law by the President on December 22, 1987 (Public Law 100–203). The remainder of the Budget Summit Agreement was implemented by the Continuing Resolution, H.J. Res. 395 (Public Law

100–202), which was also signed by the President on December 22, 1987.

On March 16, 1988, the Committee held a hearing on the state of the economy and the President's budget for fiscal year 1989. The witnesses included the Director of the Office of Management and Budget, the Acting Director of the Congressional Budget Office, the Department of the Treasury Assistant Secretary for Tax Policy, and four economic experts.

Social Security

A. SOCIAL SECURITY ADMINISTRATION

The Social Security Administration (SSA) has an impact on almost every person living in the United States. For this reason, the Subcommittee on Social Security has long maintained an active interest in the performance and efficiency of SSA.

A major concern of the Subcommittee on Social Security was the continuing SSA plan to reduce staffing levels without setting any goals for desirable levels of service to the public. On April 2, 1987, the Subcommittee held a hearing on staffing reductions, service delivery and management of SSA. The hearing also focused on SSA's progress in modernizing its computer systems. The Subcommittee heard testimony from the Assistant Comptroller General of the General Accounting Office (GAO), the Commissioner of Social Security, representatives from SSA employee unions and beneficiary coalition groups.

In the near-term, there are several reasons to question the ability of SSA to absorb massive staff reductions. These include: delays in system modernization; shortages of qualified claims representatives; increasing demands on SSA; and, unreliable measures of service delivery.

GAO found that in order to assure the highest quality administrative performance in the future, SSA must achieve a number of fundamental long-term objectives.

Several witnesses testified that establishing SSA as an independent agency would solve many of its problems. GAO found that independence for SSA would potentially promote greater leadership stability, enhance continuity of policy and direction, and clarify for the Congress and the American public who is directly responsible for running the social security programs. GAO also cautioned, however, that the independence of SSA alone will not solve the serious management problems facing the agency.

B. ATTORNEYS' FEES IN DISABILITY CASES

On May 13, 1987, the Subcommittee on Social Security convened a hearing focusing on the problems in the process of awarding attorneys' fees in social security disability cases. The Department of Health and Human Services Assistant Inspector General reviewed for the Subcommittee a then recently released Inspector General's report which was highly critical of the award procedure for attorneys' fees. The SSA Associate Commissioner for Hearings and Appeals reviewed the revised procedures SSA had implemented as a response to the Inspector General's report.

The Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) reinstated the original administrative policy allowing Administrative Law Judges to authorize attorney's fees up to $3,000 without approval by an SSA regional office.

C. STATE AGENCIES DETERMINING SOCIAL SECURITY DISABILITY

On October 6, 1987, the Subcommittee on Social Security held a hearing on the condition of State agencies that determine disability under social security.

Given the State agencies' assertions that they were unable to perform effectively with the resources they were allotted, in January 1987, the Subcommittee requested that GAO review and analyze several issues surrounding Disability Determination Service (DDS) funding and staffing. GAO was specifically asked to address the effects of the budget constraints on the State DDSs and assess whether SSA's productivity standards were realistic, accurate and nationally uniform. GAO found that the budget constraints SSA placed on State DDSs for fiscal year 1987 resulted in reducing their planned staff by 499 work-years, or 3.7 percent, under fiscal year 1987 levels. Of the 54 DDSs, 40 had their staff levels reduced, and 41 experienced reductions in funds for purchasing medical evidence to adjudicate disability cases.

The Associate Commissioner for Disability of SSA described the steps the social security disability program has taken to improve the management of the program, and reported on SSA's implementation of the 1984 disability amendments.

The Subcommittee intends to continue to monitor the effects of staffing cuts in State DDSs during the 101st Congress.

D. DISABILITY ADVISORY COUNCIL REPORT

On May 26, 1988, the Subcommittee on Social Security held a hearing on the final report of the Social Security Disability Advisory Council. The hearing focused primarily on the Council's analysis of work incentives and disincentives in the disability insurance (DI) program, as well as a related study of work disincentives by GAO.

Considered together, the Advisory Council and the GAO report raised three general questions about the DI program concerning: the factors accounting for the low rates of rehabilitation and workforce participation among DI beneficiaries; what additional incentives would be effective in encouraging larger numbers of DI beneficiaries to attempt work; and, additional costs and savings that would result from the creation of such incentives.

At the hearing, the Subcommittee received testimony on legislation which would create a work incentive for DI recipients by permitting them to continue to receive reduced benefits as their work effort increases. The Subcommittee will be reviewing such legislation further during the 101st Congress.

The Subcommittee recommended changes in the disability program during the 100th Congress, which were enacted into law in OBRA 1987. The law provided for a one-year extension of the continuation of benefits during appeal and lengthening of the extended period of eligibility for disability benefits. Included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988)

were provisions for interim disability benefits in the cases of delayed final decision, consolidation of reports on disability reviews, and an additional one-year extension of the continuation of benefits during appeal.

E. WAGE CREDITS

The Subcommittees on Social Security and Oversight held a joint hearing on August 9, 1988, regarding the crediting of wages to social security accounts. The Subcommittees heard testimony from GAO describing widespread errors in the SSA's records of individual earnings.

The Subcommittees also received details of an SSA and Internal Revenue Service (IRS) agreement on a joint plan for correcting current wage discrepancies and avoiding such discrepancies in the future.

The Subcommittee is presently engaged in discussions with SSA and IRS to improve further the crediting of beneficiary wages.

F. SOCIAL SECURITY TRUST FUND RESERVES

On May 10, 1988, the Subcommittee on Social Security held a hearing on the social security trust fund reserves and the financing of retirement benefits for the "baby boom" generation.

Several expert witnesses testified at the hearing, including witnesses from the Congressional Budget Office and the Congressional Research Service, who presented their report prepared for the Committee entitled "Retirement Income for an Aging Population." Several economists concluded that the build-up in the trust fund reserves would have a healthy effect on the economy if the deficit were brought down and the trust fund build-up resulted in net national savings.

G. THE RETIREMENT TEST

The Subcommittee on Social Security held a hearing on September 29, 1988, on the subject of the social security retirement test.

The Subcommittee received testimony from the Congressional Budget Office concerning its report, which focuses on people, ages 65 through 69, who are eligible to receive social security retirement benefits. The Congressional Budget Office report analyzed the characteristics of people affected by the current earnings limit, the characteristics of people who would no longer be affected if the earnings limit were raised or the test were eliminated completely, and the effects on Federal outlays of increasing or entirely removing the earnings limit for people, ages 65 through 69. The Congressional Budget Office determined that 40 percent of those who would benefit if the earnings limitation were eliminated have family incomes in excess of $42,000 a year.

The Commissioner of Social Security testified before the Subcommittee advocating the elimination of the retirement test.

No further legislative action was undertaken by the Subcommittee during the 100th Congress.

H. MISLEADING AND DECEPTIVE MAILINGS TO SOCIAL SECURITY BENEFICIARIES

Responding to the concerns of social security beneficiaries, their families, and many Members of Congress, the Subcommittee on Social Security held a hearing on March 10, 1987, regarding misleading and deceptive mailings to social security beneficiaries.

A provision to prohibit the misuse of symbols, emblems, or names in reference to social security or Medicare was included in the Medicare Catastrophic Coverage Act of 1988 (Public Law 100–360). The provision also authorized civil money penalties for those found to be in violation of the law.

I. THE "NOTCH" ISSUE

On April 14, 1988, the Social Security Subcommittee held a hearing on the GAO report entitled: "Social Security: The Notch Issue."

The previous Chairman of the Subcommittee on Social Security requested that GAO conduct a complete investigation into how the "notch" arose. After a thorough examination of the issue, GAO concluded that the 1977 law which established the new formula has, in general, worked as the Congress intended. The new law reduced replacement rates, for persons born from 1917 onward, to a fair and stable level. Although some people claim that their benefits are unfairly low, the GAO report disagreed. The differences in benefits between those born before and after 1917 are not the result of the "notch babies" receiving less than was intended, rather the differences resulted from those who were born earlier, sometimes known as the "bonanza babies", receiving more than was intended.

J. SOCIAL SECURITY AND RAILROAD RETIREMENT PROGRAM BUDGETS

Social Security: On March 5, 1988, the Subcommittee on Social Security held a hearing to review the Administration's fiscal year 1988 budget proposals for the social security and railroad retirement programs. The Administration proposed to extend the Federal Insurance Contributions Act (FICA) tax coverage to areas which had previously been exempt from universal coverage of employment under social security.

Under OBRA 1987, FICA tax coverage was extended to include: Armed Services reservists; certain agricultural workers; individuals aged 18–21 employed by their parent's trade or business; and, an individual in the employment of his or her spouse's trade or business. The employer's share of FICA taxes was extended to include all cash tips (up to the social security wage base). Employer-provided group term life insurance was included in wages for FICA tax purposes, if such insurance was includable in gross income for income tax purposes.

Railroad Retirement: Since the passage of the Railroad Retirement Solvency Act of 1983, employment levels in the rail sector have been lower than anticipated. While the account was healthy in the near-term, the fund was expected to decline in the mid-1990's and become insolvent in 2006, as a result of certain financing amendments included in OBRA 1987.

Tier II tax rates were increased in January 1988 by a total of 2 percent: 1.35 percent on employers and 0.65 percent on employees. The amendments also extended for one year, until October 1989, the time during which revenues from Federal income taxes on tier II railroad retirement benefits may be transferred to the Railroad Retirement Account for use in paying benefits.

A Commission on Railroad Retirement Reform was established to conduct a comprehensive study of the issues pertaining to the long-term financing of the railroad retirement system. TAMRA 1988 extended the due date of the Commission's report by one year, to October 1, 1990.

HEALTH

During the 100th Congress, the Subcommittee on Health approved the provisions in three major pieces of legislation affecting the Medicare program: the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987); the Medicare and Medicaid Patient Protection Act of 1987; and, the Medicare Catastrophic Coverage Act of 1988. In addition to holding hearings related to these three bills, the Subcommittee held hearings and conducted briefings relating to minimum employee health benefits, long-term care, nursing home reform, uncompensated care in hospitals, the Administration's capitation initiatives, the status of the Medicare prospective payment system, premiums paid by beneficiaries for coverage under Medicare Part B, and other related issues.

A. HOSPITAL PAYMENT UNDER MEDICARE

The Subcommittee on Health held hearings on February 26 and April 1, 1987, on hospital payments under the prospective payment system, and on May 4, 1987, on issues relating to reimbursement of hospital capital expenditures. In addition, the Subcommittee held an oversight hearing on the status of the prospective payment system on March 1, 1988.

The Subcommittee met on June 23, 26, and 30, 1987, and July 1, 1987, to consider measures for inclusion in the Committee's fiscal year 1988 budget reconciliation legislation. The Committee met on July 23, 28, and 29, 1987, and included the Subcommittee provisions in the House bill on budget reconciliation, H.R. 3545, which was passed on September 22, 1987. When the conferees completed action on the OBRA 1987, a number of provisions affecting hospital payments were included in the Conference Agreement.

The Conference Agreement provided for separate payment increases or updates for hospitals in rural areas, hospitals in urban areas with a population in excess of one million, hospitals in other urban areas, and hospitals exempt from the prospective payment system (PPS). The Agreement also removed the discretionary authority of the Secretary of Health and Human Services to set up dates for hospital payments by specifying that for fiscal year 1990 and beyond, the increase was to equal the rate of increase in the hospital market basket.

In addition, the Conference Agreement established a regional floor on payments to PPS hospitals during the period fiscal year 1988 through fiscal year 1990, and required a study of hospital non-

labor costs and input prices by the Prospective Payment Commission (ProPAC). The Agreement also reduced the indirect medical education adjustment to 7.70 percent, and removed the existing 15 percent cap on the adjustment to hospitals which serve a disproportionate number of low-income patients.

A number of provisions, included by the Committee in H.R. 3545 and subsequently in the Conference Agreement on OBRA 1987, affected payment to rural hospitals. Such provisions included a revision of standards for including a rural county adjacent to an urban area in the urban area; an expansion of the swing bed program; a change in the definition of rural referral center to include all rural hospitals over 275 beds; and, subsequently in the conference on OBRA 1987, authorization of rural hospital demonstration projects.

Another major provision included in OBRA 1987 reduced payments for reimbursement of hospital capital costs by 12 percent in fiscal year 1988, effective January 1, 1988, and by 15 percent in fiscal year 1989. The Conference Agreement also precluded the Secretary of Health and Human Services from adding reimbursement for capital costs into PPS until October 1, 1991, but requires the Secretary to do so on that date.

The Subcommittee also considered minor and technical revisions to hospital payments which were enacted in the Medicare Catastrophic Coverage Act of 1988 and the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988). These amendments made the following changes in the law: (1) require the Secretary of Health and Human Services to adjust hospital payments to take into account the increase in covered hospital days caused by passage of the catastrophic legislation; (2) revise the standards for including rural counties in adjacent urban areas; (3) provide special rules for application of the wage indices in certain cases when counties are added; and, (4) extend the disproportionate share adjustment through fiscal year 1995.

B. REPORTING OF HOSPITAL COST INFORMATION

During the Subcommittee on Health's deliberations on Medicare hospital payment policies during the 100th Congress, a recurring problem was the timeliness and comprehensiveness of hospital-cost data available to the Subcommittee. Based on testimony from witnesses from the States of California and New York, both of which operate uniform hospital reporting systems, and other expert witnesses, the Subcommittee proposed a comprehensive reform of the existing hospital-cost reporting system. The provision was approved in the House bill on the fiscal year 1988 budget reconciliation, H.R. 3545. However, the Conferees adopted the Senate amendment which did not include this provision and instead established a three-year demonstration of uniform hospital reporting. The Secretary of Health and Human Services is required to collect uniform data in two States and report to the Congress.

C. CAPITATED PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS AND OTHER ORGANIZATIONS

OBRA 1987 included a number of provisions related to Medicare contracting on a capitated basis with health maintenance organiza-

tions (HMOs) and other organizations. The Conference Agreement broadened the use of sanctions and civil monetary penalties against HMOs, and provided for extended supplemental coverage for enrollees of an HMO which terminate their contract with Medicare. In addition to broadened sanctions, spending provisions, and the supplemental coverage provision, OBRA 1987 enacted into the law provisions affecting HMOs which: extended existing waivers for social HMO demonstration projects; provided for new capitation demonstrations to test revisions in the methodology used to establish capitation payments to HMO's; and, permitted the Administration to conduct three demonstrations of its proposal to contract with employers to provide Medicare benefits to the employer's retirees on a capitated basis.

The Subcommittee held an oversight hearing on the status of the Administration's capitation initiatives on March 10, 1988.

D. PHYSICIAN PAYMENT UNDER MEDICARE

The Subcommittee on Health held seven days of hearings on physician payment under Medicare. Hearings were held: on March 3, 1987, concerning general issues related to physician payment; on May 7, 1987, concerning the participating physician program; on May 13, 1987, concerning Diagnostic Related Group (DRG)-based payment of radiologists and anesthesiologists; on June 15, 1987, concerning budget reconciliation issues related to physician payment; on September 30, 1987, concerning the Medicare Part B premium for 1988; on May 24, 1988, concerning payment of physicians by Medicare; and, on September 29, 1988, concerning the Medicare Part B premium for 1989.

OBRA 1987 provided for a number of changes in physician payment under Medicare, including a differential increase in prevailing charges for participating physicians and for primary-care services. These increases would be effective for the nine-month period beginning April 1, 1988, and for the year beginning on January 1, 1988. Non-participating physicians and physicians providing non-primary-care services received lower increases. Included in the Conference Agreement on the OBRA 1987 was a provision for an increase in prevailing charges for primary-care services furnished in class I and II rural-health manpower-shortage areas, effective January 1, 1989.

Prevailing-charge levels for selected overpriced procedures were reduced effective April 1, 1988. A uniform two-percent reduction was made in all areas, and limitations were placed on prevailing-charge levels for certain procedures and services provided. An exception to the limitation on charges for new physicians was made for primary-care services and to services provided by new physicians in rural-health manpower-shortage areas.

OBRA 1987 also made changes in payment for radiology and anesthesiology services. Effective January 1, 1988, radiology services would be reimbursed on the basis of a fee scheduled to be developed by the Department of Health and Human Services in consultation with the American College of Radiology. Reductions in payment were made for the services of anesthesiologists supervising two or more certified registered-nurse anesthestists.

E. MEDICARE CATASTROPHIC COVERAGE ACT OF 1988

The Subcommittee on Health held a total of nine hearings on Medicare catastrophic coverage beginning on January 29, 1987, with the last hearing November 3, 1987. The hearings on January 29, and March 3, 4, and 10, 1987 focused primarily on Medicare catastrophic hospital and physician expenses. The hearings on April 23 and June 2, 1987, focused on adding an outpatient prescription-drug benefit to the Medicare program. The subject of the hearing on May 12, 1987, concerned insurance protection for catastrophic health expenses for individuals under age 65. The last hearing held November 3, 1987, was to receive testimony on Medicare coverage for mammography screening examinations.

The Subcommittee marked-up bills, H.R. 1280 and H.R. 1281, the Medicare Catastrophic Protection Act, on April 7, 1987. The Committee considered the bills on May 5, 6 and 7, 1987. The Subcommittee held two markups on the coverage of outpatient prescription drugs under Medicare on June 4 and 16, 1987. The Committee reintroduced a single bill on catastrophic health coverage, and added the outpatient prescription drug benefit provision to the bill.

The Part B portion of the bill containing the prescription drug section was referred to the Committee on Energy and Commerce which shares jurisdiction with the Committee on Ways and Means over the Part B portion of the Medicare program. An amended version, including provisions adopted by the Committee on Ways and Means and the Committee on Energy and Commerce, was reintroduced as H.R. 2470, passed the House on July 22, 1987, and passed the Senate, with amendments, on October 27, 1987.

The conferees agreed to the Conference Agreement on May 25, 1988. The Medicare Catastrophic Coverage Act of 1988, H.R. 2470, was enacted into law July 1, 1988 (Public Law 100-360).

In summary, the Medicare Catastrophic Coverage Act of 1988 protects Medicare beneficiaries from catastrophic hospital and physician expenses, limits out-of-pocket expenses for outpatient prescription drugs, provides respite care for those requiring long-term home care and makes important improvements in the home health, skilled nursing facility and other existing Medicare benefits. The Conference Agreement improves Medicaid by requiring States to pay Medicare's cost-sharing requirements for elderly and disabled Americans below the poverty level, by improving protections against spousal impoverishment, and requiring States to cover mothers and infants up to the poverty level.

The conferees on the legislation also agreed to include in the Medicare Catastrophic Coverage Act of 1988 an income-related supplemental premium collected by the IRS, and an increase in the monthly Part B premium to ensure budget neutrality by providing that Medicare catastrophic benefits under the bill are fully funded. Accordingly, approximately 40 percent of Medicare beneficiaries who pay income taxes will pay the supplemental premium. The maximum supplemental premium is $800 in 1989 and increases to $1,050 in 1993. All Medicare beneficiaries above the Federal poverty level will pay an increase in their monthly Part B premium.

Medicaid improvements are funded by savings to Medicaid resulting from Medicare catastrophic coverage, along with funds included in the fiscal year 1989 budget resolution.

F. LONG-TERM CARE UNDER MEDICARE

The Subcommittee on Health devoted significant time and effort to the development of a long-term care benefit under the Medicare program for Medicare elderly and disabled beneficiaries.

The Subcommittee held four hearings on public and private-sector solutions to the long-term care problems currently faced by our nation's elderly and disabled. The first hearing was held on March 31, 1987, and the other three hearings were held August 2 and 4, 1988, and September 26, 1988. At the hearing on August 2, 1988, the Subcommittee received testimony from Members of Congress. The August 4 and September 26, 1988, hearings focused on the general topic of the need for long-term care insurance.

The Chronic-Care Medicare Long-Term Care Coverage Act, H.R. 5393, was introduced to provide long-term comprehensive nursing home, and home and community-based care, for Medicare elderly and disabled beneficiaries. Medicare beneficiaries, determined through a case-management system to have at least three limitations in activities of daily living (ADLs), or similar cognitive impairment, would qualify for the long-term nursing home benefit and beneficiaries with at least two ADLs, or similar cognitive impairment, would qualify for the long-term home health and community-based services. H.R. 5393 also provided for a three-month deductible and 20-percent coinsurance for the home health and adult day-care services.

Under H.R. 5393, the benefits would have been financed in a budget neutral manner. The financing would include increasing the Hospital Insurance (HI) portion of the Federal Insurance Contributions Act (FICA) tax, increasing the amount of earnings subject to the HI tax, including all State and local employees under the HI tax, increasing the Part B premium, and by making several changes to the estate and gift tax, including reducing the exemption amount.

G. HEALTHCARE FOR THE UNINSURED

The Subcommittee on Health devoted significant time and effort to the development of new responses to providing healthcare coverage to the 37 million Americans without health insurance.

The Subcommittee considered H.R. 3128, the Hospital Indigent Care Assistance Act, which would tax the purchase of health insurance in order to generate a fund which would be used to support the provision of charity care by hospitals. The measure would be designed to provide fiscal relief to the hospitals providing the bulk of the $7 to $9 billion in uncompensated care provided each year. The Subcommittee held a hearing on H.R. 3128 on March 12, 1987.

The Subcommittee held three days of hearings on the question of requiring employers to provide minimum health benefits to their employees. Hearings were held on May 12, 1987, August 9, 1988, and September 22, 1988, with the latter two days being devoted to testimony on H.R. 4951, the Employee Health Benefits Improve-

ment Act. H.R. 4951 would have required all employers to provide a minimum benefit package similar to the Medicare benefit package, except that the plan could provide for a deductible of up to $1,000 per individual, or $1,500 per family, and would have to include first-dollar coverage for maternal and infant care benefits. Employers would have been required to pay for 80 percent of the plan's premium and a low-income tax credit would be created to help low-income employees pay for their share of the premium.

Although neither of these bills were enacted in the 100th Congress, it is anticipated that the Subcommittee will devote significant time to these issues in the 101st Congress.

H. FRAUD AND ABUSE

On April 1, 1987, the Subcommittee on Health approved H.R. 1444, the Medicare and Medicaid Patient and Program Protection Act of 1987. The bill was signed into law on August 18, 1987 (Public Law 100-93). The bill contains a number of provisions to protect Medicare and Medicaid beneficiaries against poor quality care and fraudulent or abusive practices.

PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

The Subcommittee on Public Assistance and Unemployment Compensation has legislative and oversight responsibility over the following programs authorized by the Social Security Act: Aid to Families with Dependent Children (AFDC); Child Support Enforcement (CSE); Supplemental Security Income (SSI); Social Services (Title XX); Child Welfare, Foster Care, and Adoption Assistance; Unemployment Compensation (UC); and, Railroad Unemployment Compensation. In addition, the Subcommittee has legislative responsibility for the Federal Unemployment Tax Act (FUTA), under Chapter 23 of the Internal Revenue Code.

In the 100th Congress, the Subcommittee pursued its legislative and oversight responsibilities for all programs under its jurisdiction. Oversight activities were almost always related to specific legislation.

A. AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

On June 30, 1987, the Subcommittee on Public Assistance and Unemployment Compensation approved, and ordered reported to the Committee, provisions to accompany the Committee's fiscal year 1988 budget reconciliation legislation that would amend, and in some areas extend, current-law provisions pertaining to AFDC benefits and programs. The Committee included its AFDC provisions in the House bill on the fiscal year 1988 budget reconciliation, H.R. 3545, and subsequently in the Conference Agreement on the Omnibus Budget Reconciliation act of 1987 (OBRA 1987). OBRA 1987 includes the following AFDC amendments: (1) additional funding for AFDC fraud control efforts; (2) a prohibition, prior to October 1, 1988, on any action by the Department of Health and Human Services (HHS) that would restrict the use of AFDC emergency assistance funds for homeless families or limit States' authority to make payments for special needs of AFDC recipients; (3)

authorization for demonstration projects in the States of Washington and New York; and, (4) extension of child support services to families receiving Medicaid only, and a requirement for continuation of full child support services for families no longer receiving AFDC.

B. AFDC FUNDS FOR THE HOMELESS

On March 28, 1988, the Subcommittee on Public Assistance and Unemployment Compensation held a field hearing in Brooklyn, New York, on the use of AFDC funds for homeless families. The hearing was held jointly with the Subcommittee on Social Security and Family Policy of the Senate Committee on Finance.

On March 31, 1988, a bill was introduced, the Omnibus McKinney Homeless Assistance Act of 1988, H.R. 4537, which amended the Stewart B. McKinney Homeless Act. The bill was referred to the Committee on March 31, 1988. The Committee reported its recommendations to the House on July 28, 1988. The Senate approved the bill, with amendment, on September 28, 1988. The Conference Agreement passed both the House and Senate by October 20, 1988.

On November 7, 1988, the President signed into law the Stewart B. McKinney Homeless Assistance Act of 1988 (Public Law 100–628). The new law extends, through September 30, 1989, the moratorium on any regulations which restrict AFDC special needs payments or the emergency assistance program, and authorizes demonstration projects designed to reduce the number of homeless AFDC families living in hotels by encouraging the rehabilitation or construction of transitional facilities.

C. FAMILY SUPPORT ACT OF 1988

On January 28, February 19, and March 4, 6, 10, 11, and 13, 1987, the Subcommittee on Public Assistance and Unemployment Compensation held hearings on the need for welfare reform. Following these hearings the Family Welfare Reform Act of 1987, H.R. 1720, was introduced. On March 30 and April 1, 1987, the Subcommittee held hearings on H.R. 1720.

The Family Welfare Reform Act, H.R. 1720, was referred to the Committee on March 19, 1987. H.R. 1720 would have replaced the existing AFDC program with a new family support program which emphasizes work, child support, and need-based family support supplements, to amend Title IV of the Social Security Act. The bill was also intended to encourage and assist needy children and parents under the new program to obtain educational training and employment, to avoid long-term welfare dependence, and to make other necessary improvements to achieve the above objectives.

The Committee reported the bill to the House on June 17, 1987, and the Senate passed its version of the bill, with an amendment, on June 16, 1988. The final bill, the Family Support Act of 1988, passed both the House and Senate on September 30, 1988, and was signed into law by the President on October 13, 1988 (Public Law 100–485).

The Family Support Act of 1988 reformed current assistance programs through the following changes: (1) child support enforcement provisions which require the use of uniform guidelines to set child

support awards, mandatory genetic testing in contested paternity cases, computerized tracking and monitoring of child support cases, and automatic wage withholding; (2) establishment of a job opportunities and basic skills training (JOBs) program, which creates and establishes a new work, education and training program for AFDC families, and is designed to provide comprehensive education and training services to long-term AFDC recipients and families in danger of becoming long-term recipients; (3) transitional assistance for families who leave welfare, which guarantees child care and health benefits to AFDC families while they are in school, or training, and for 12 months after they leave AFDC for a job; (4) benefits for two-parent families, which require all States to extend AFDC benefits to two-parent families in which the principal earner is unemployed; and, (5) revenue provisions, which offset the additional costs of the new law without increasing the Federal budget deficit.

D. SUPPLEMENTAL SECURITY INCOME

On June 30, 1987, the Subcommittee on Public Assistance and Unemployment Compensation approved, and ordered reported to the Committee, provisions to accompany the Committee's fiscal year 1988 budget reconciliation legislation which included changes to the requirements for Supplemental Security Income (SSI) benefits. The Subcommittee also approved a separate Subcommittee amendment to be offered during the reconciliation markup by the Committee. The amendment included provisions to continue SSI benefits for individuals who are temporarily institutionalized, and extend Medicaid to certain disabled widows and widowers who lose SSI eligibility. On July 22, 1987, the Committee agreed, with amendments, to the above Subcommittee recommendations. In its report to the Committee on the Budget on October 15, 1987, the Committee agreed to include additional provisions on SSI, as part of its budget reconciliation recommendations.

OBRA 1987 includes the following the SSI amendments: (1) a permanent disregard of certain in-kind income; (2) an exclusion of real property when it cannot be sold; (3) authority for the HHS Secretary to waive the transfer-of-assets policy in cases of undue hardship; (4) exclusion of interest in burial accounts; (5) a requirement that certain income, including AFDC benefits, be disregarded in determining SSI eligibility; (6) an extension of Medicaid benefits to certain widow(er)s; (7) an increase in the emergency advance payments that may be made to persons eligible for SSI; (8) an expansion of the circumstances under which a State may receive interim assistance reimbursement; (9) a requirement for special notices to blind recipients; (10) an extension of SSI benefits to certain individuals in public emergency shelters; (11) a requirement for continued SSI benefits for recipients who are temporarily in institutions; (12) a demonstration project to assist homeless individuals in obtaining SSI; (13) a prohibition against certain aliens receiving SSI benefits; (14) an increase in the personal-needs allowance to $30 for an individual, and $60 for a couple; and, (15) a requirement that death benefits spent on last illness and burial be excluded from countable income.

Other legislative action includes a provision in the Medicare Catastrophic Coverage Act of 1988, which repeals the SSI transfer-of-assets policy and applies the Medicaid transfer-of-assets policy to SSI recipients who enter a Medical institution or nursing facility. In the Technical and Miscellaneous Revenue Act of 1988 (TAMRA 1988), a provision was included which clarifies that housing assistance is not considered income or resources for SSI applicants and recipients.

E. AFDC QUALITY CONTROL SYSTEM

On April 12, 1988, the Subcommittee on Public Assistance and Unemployment Compensation held a hearing on recent studies of the AFDC Quality Control System and the need for reform. The AFDC program has an ongoing quality control system that aims to reduce erroneous benefit payments below certain target levels. States whose error rates are above certain target percentages are subject to fiscal sanctions. The fiscal sanctions had been suspended by the Congress through June 30, 1988. The Congress extended this moratorium on fiscal sanctions through June 30, 1989, under the Family Support Act of 1988.

F. CHILD SUPPORT ENFORCEMENT

On February 23 and 25, 1988, and March 2, 1988, the Subcommittee on Public Assistance and Unemployment Compensation held hearings on the implementation of the Child Support Enforcement Amendments of 1984, interstate child support enforcement, paternity establishment, collections and enforcement, and the future of child support programs. These hearings were held as part of the Subcommittee's oversight function and did not result in legislative activity.

G. TITLE XX SOCIAL SERVICES, CHILD WELFARE, FOSTER CARE AND ADOPTION ASSISTANCE

On June 30, 1987, the Subcommittee on Public Assistance and Unemployment Compensation approved, and ordered reported to the Committee, provisions to accompany the Committee's fiscal year 1988 budget reconciliation legislation that extended Federal matching funds for voluntarily-placed foster care children and foster care ceilings and transfer authority. The Subcommittee also approved a separate Subcommittee amendment to be offered during the Committee's mark-up of H.R. 3545, that included a provision requiring the cost of care of the infant child to a Title IV–E eligible foster child be included in the foster care payment on behalf of the mother, as if the infant were also eligible for foster care. On July 22, 1987, the Committee agreed, with amendment, to the above Subcommittee recommendations, and in addition, authorized expenditures for demonstration projects in fiscal year 1988. In its report to the House Committee on Budget on October 15, 1987, the Committee agreed to include additional provisions on Title XX social services, child welfare and foster care as part of its budget reconciliation recommendations.

OBRA 1987 enacted into law provisions related to Title XX social services programs, child welfare, foster care, and adoption assistance which: (1) extend the authority for voluntary foster care placements and the authority for States to transfer foster care funds; (2) allow a mother and her infant who are living together in foster care to receive foster care maintenance payments; (3) raise the Title XX authorization cap to $2.750 billion for fiscal year 1988; (4) extend Title XX and child welfare services to American Samoa; (5) authorize a National Commission on Children to make recommendations regarding the health of children, social and support services, education, income security and tax policy; and, (6) authorize a study which would cover the issues of children with AIDS in foster care, and demonstration projects to provide residential care for newborn babies whose parents abandon them to the care of hospitals.

A series of hearings was held by the Subcommittee on child welfare, foster care, and adoptive assistance programs. On March 31, 1988, the Subcommittee held the first of these hearings on the foster care independent living program, and the need to extend the program. On April 13 and 28, and May 12, 1988, the Subcommittee held a series of hearings on the need for foster care, child welfare, and adoption reforms. The hearings were held jointly with the House Select Committee on Children, Youth and Families. On June 9, 1988, the Subcommittee held a hearing on the child care needs of low-income families.

Provisions were included in TAMRA 1988 to extend, through fiscal year 1989, the authority for State independent living initiatives for foster care children, and modify the reporting dates for the National Commission on Children.

H. UNEMPLOYMENT COMPENSATION

On June 30, 1987, the Subcommittee on Public Assistance and Unemployment Compensation approved, and ordered reported to the Committee, provisions to accompany the Committee's fiscal year 1988 budget reconciliation legislation that would change the effective date of the work-search requirement in the extended benefits program. In its reconciliation recommendations to the House Committee on the Budget on October 15, 1987, the Committee agreed to include additional provisions on unemployment compensation as part of its recommendations.

OBRA 1987 contained several unemployment compensation provisions including: (1) authorization for self-employment demonstration projects; (2) an extension and modification of the FUTA 0.2-percent surtax; (3) an increase in the ceilings in the Extended Unemployment Compensation Account and the Federal Unemployment Account; and, (4) charging of interest on any new loans from the general fund.

On December 14, 1987, and September 15, 1988, the Subcommittee held hearings on reform of the unemployment compensation program.

Two additional legislative initiatives included unemployment compensation provisions. The Stewart B. McKinney Homeless Assistance Act of 1988 includes a provision on unemployment com-

pensation, which permits the Secretary of Health and Human Services, or a public housing agency, to request wage and unemployment compensation data from State unemployment agencies for the purpose of verifying tenant eligibility. The authorization is limited to five years, and data may not be released to private owners. TAMRA 1988 includes an extension of the reporting deadlines for the self-employment demonstration projects.

I. RAILROAD UNEMPLOYMENT COMPENSATION

On July 14, 1987, the Subcommittee on Public Assistance and Unemployment Compensation held a hearing on H.R. 2167, the Railroad Unemployment Insurance and Retirement Improvement Act of 1987. On October 6, 1987, the Subcommittee approved H.R. 2167, and ordered it reported to the Committee. The Committee considered the bill on October 15, 1987, and reported it, as amended, to the House. H.R. 2167 passed the House on November 9, 1987. The Senate subsequently included the bill in the Miscellaneous Revenue Act of 1988, S. 2238, and the conferees agreed to the Senate provisions in TAMRA 1988.

TAMRA 1988 reforms the railroad unemployment compensation program. The major provisions include: (1) indexing the monthly taxable wage base to two-thirds of the rise in wage levels in the economy; (2) implementing an "experience rating" tax schedule for railroad employers, which would impose tax rates on employers in proportion to the benefits paid to their employees; (3) increasing the administrative tax rate from 0.5 to 0.65 percent; (4) imposing a 4-percent debt repayment tax until the debt to the retirement program is repaid; (5) repealing the contingent 3.5-percent surtax and replacing it with an additional surcharge to be added to tax rates when fund balances are low; (6) establishing a two-week waiting period for benefits; and, (7) increasing daily unemployment benefits from $25 to $30.

TARIFFS AND TRADE

The 100th Congress has been a very active Congress for the Committee and the Subcommittee on Trade, particularly for developing trade legislation. The Subcommittee on Trade exercises legislative and oversight jurisdiction over multilateral and bilateral trade negotiations and agreements and other functions of the Office of the U.S. Trade Representative, customs laws and their administration by the U.S. Customs Service (Customs), the activities of the U.S. International Trade Commission, responses to foreign unfair trade practices, import relief measures for U.S. industries, trade adjustment assistance programs, trade relations with major U.S. trading partners and with developing countries, and special trade-related issues involving particular U.S. industries, or market access abroad.

Throughout the 100th Congress, the Subcommittee was in continual contact, through formal briefings and informal meetings, with officials and staff of the Executive branch and other agencies concerning the development of legislation and the administration of statutes and programs under the jurisdiction of the Subcommittee. The Subcommittee also met frequently with private-sector repre-

sentatives (business, labor, and consumer interests), and with foreign delegations (government and private), on trade issues.

A. TRADE POLICY AND TRADE AGREEMENTS OVERSIGHT

In addition to legislative matters, the Subcommittee on Trade maintained close and continual oversight in the 100th Congress of the development and implementation of international trade agreements by the United States and foreign governments, and of trade policy developments and the administration of domestic trade statutes.

The Subcommittee maintained a close liaison with the Office of the U.S. Trade Representative, in particular, concerning ongoing trade negotiations, resolution of trade disputes and other issues with foreign governments, and the application of domestic trade laws with respect to particular industries or issues. The Subcommittee continued bipartisan visits to Geneva, Switzerland and key European capitals to attend meetings under the auspices of the General Agreement on Tariffs and Trade (GATT), to meet with foreign delegations, and to maintain a close liaison with the Geneva office of the U.S. Trade Representative, particularly to oversee and provide Congressional advice on the ongoing Uruguay Round of GATT multilateral trade negotiations, launched in September 1986. The Subcommittee also visited countries in the Far East, Latin America, and Canada to discuss trade issues with foreign government representatives and business leaders, and to oversee the Caribbean Basin Initiative.

During the 100th Congress, the Subcommittee also continued to attend meetings of the private-sector advisory committees representing industry, agriculture, labor, consumers, and other interests established to provide the Executive branch information and advice on trade negotiations and other current trade policy issues. The Subcommittee, through its annual review of budget requests, and jurisdiction over the authorization of appropriations, also oversees program administration and seeks to ensure that the funds for the Office of the U.S. Trade Representative, the U.S. Customs Service, and the U.S. International Trade Commission are adequate for these major trade agencies to carry out their statutory functions.

In addition to, or in conjunction with, specific legislation cited below, the Subcommittee also held hearings on the following subjects as part of its oversight activities: comprehensive trade reform legislation; United States-Canada Free Trade Agreement (U.S.-Canada FTA); Textile and Apparel Trade Act of 1987; Caribbean Basin Economic Recovery Act of 1987; proposed economic sanctions on the Republic of South Africa; legislation to prohibit the importation of products made by Toshiba Corp. and Kongsberg Vaapenfabrik Co.; fiscal year 1988 budget authorizations and oversight of the U.S. Customs Service, U.S. Trade Representative, and U.S. International Trade Commission; tariff rate inversion on certain iron and steel pipe and tube products; and, country-of-origin labeling requirements for imported meat and other food products.

B. COMPREHENSIVE TRADE POLICY REFORM LEGISLATION

The most intensive legislative activity of the Subcommittee on Trade during the 100th Congress was the development of comprehensive trade policy reform legislation, continuing and completing the effort begun by the Committee in the 99th Congress with passage by the House of H.R. 4800 in May 1986.

Omnibus trade legislation, H.R. 3, the Trade and International Economic Policy Reform Act of 1987, was introduced at the beginning of the 100th Congress on January 6, 1987, and referred to six Committees. The overall bill was developed in response, primarily, to the serious decline in U.S. competitiveness and the rapid record growth of the trade deficit. The Committee held four days of public hearings on February 5, 10, 18, and 20, 1987, followed by two days of Subcommittee hearings on February 26 and 27, 1987. Testimony was received from witnesses, including Administration officials, private-sector representatives from a broad cross-section of U.S. industry, farm organizations, organized labor, and importing interests.

On March 12, 1987, the Subcommittee ordered favorably reported a substitute amendment for the original language of Titles I, II, and VIII of H.R. 3, as referred to the Committee. The Committee ordered reported the substitute amendment on March 25, 1987. The omnibus bill passed the House, as amended, on April 30, 1987; the Senate passed an amendment, in the nature of a substitute as amended, S. 1420, on July 21, 1987. The Conference Agreement on H.R. 3, the Omnibus Trade and Competitiveness Act of 1988, was filed on April 20, 1988, and passed the House and Senate in late April. Title I of the conference report contained trade, customs, and tariff law provisions originally reported by the Subcommittee on Trade and Committee on Ways and Means as Titles I, II, and VIII of H.R. 3. The President's veto of H.R. 3 was sustained by the Senate on June 8, 1988.

On June 16, 1988, the omnibus bill was reintroduced as H.R. 4848, in identical form as H.R. 3, except for two provisions relating to import relief and adjustment assistance that were the basis for the Presidential veto. The Omnibus Trade and Competitiveness Act of 1988 (Act) passed the House on July 13, 1988, without any further action by the Committee. The Senate passed the bill on August 3, 1988, and the President signed H.R. 4848 into law on August 23, 1988 (Public Law 100–418).

Title I of the Act represents the most comprehensive restructuring and reform of basic U.S. trade laws since the Trade Act of 1974. The provisions developed by both the Subcommittee and the Committee, and in consultation with the Administration and Senate Committee on Finance in conference, affect virtually every existing U.S. trade law, including trade negotiating authorities, import relief and adjustment assistance, responses to foreign unfair trade practices, and Executive branch trade functions.

The basic elements of Title I are: (1) broad grants of authority to the President to negotiate reciprocal multilateral and bilateral trade agreements to reduce trade barriers, strengthen international trading rules, and increase foreign market access for U.S. products, as well as approval and implementation of the international

Harmonized Commodity Description and Coding System; (2) amendments of U.S. basic trade laws to ensure stronger, more certain action against foreign unfair trade practices, and to improve measures for temporary relief and adjustment of U.S. industries and workers to increased import competition; and, (3) stronger, more centralized trade policymaking within the Executive branch, and greater consultation with the Congress.

C. UNITED STATES-CANADA FREE-TRADE AGREEMENT

During the 100th Congress, the Subcommittee on Trade conducted oversight of the negotiation of the U.S.-Canada FTA, signed by President Reagan and Prime Minister Mulroney on January 2, 1988, and developed legislation to approve and make the necessary and appropriate changes in U.S. domestic laws to implement U.S. obligations under that agreement. The U.S.-Canada FTA is one of the most comprehensive bilateral trade agreements ever negotiated, creating one of the world's largest internal markets for goods and services, and including, as its cornerstone, the phased-out elimination of all tariffs on bilateral trade within ten years.

The so-called "fast-track" procedures under the Trade Act of 1974 for Congressional consideration of trade agreement implementation involved on-going consultations between Administration officials and the Subcommittee throughout the course of the negotiations, beginning in the 99th Congress, and on issues involved in developing the implementing legislation. The Subcommittee also coordinated with other House committees on issues of joint jurisdiction in developing the draft implementing bill.

Following the signing of the final text of the U.S.-Canada FTA, on January 2, 1988, the Subcommittee held six days of public hearings on February 9, 26, and 29, and March 1, 11, and 25, 1988, in Washington, D.C., and in Fargo, North Dakota, on the proposed U.S.-Canada FTA and its implementation, receiving testimony from Members of Congress, Administration officials, and a broad range of private-sector witnesses. In May of 1988, the Subcommittee drafted provisions based on a proposal prepared by the Administration. The Committee approved draft legislation reported by the Subcommittee to implement provisions within the Committee's jurisdiction.

On May 25 and 26, 1988, the Subcommittee on Trade and the Senate Committee on Finance resolved differences in the draft implementing recommendations reported by the two committees. On July 14, 1988, the Committee on Ways and Means approved a recommended text of implementing legislation for submission to the Administration. The implementing legislation was based on the conceptual agreement with the Senate Committee on Finance, the Administration, and other committees having joint jurisdiction with the Committee on Ways and Means, on provisions within the Committee on Ways and Means' jurisdiction.

On August 3, the Committee ordered reported H.R. 5090, the United States-Canada Free-Trade Agreement Implementation Act of 1988, approving the U.S.-Canada FTA transmitted by the President to the Congress on July 25, 1988, by a record vote of 35 yeas, 1 no. H.R. 5090 was passed by the House on August 9, 1988, and the

Senate on September 19, 1988. The bill was signed by the President on September 28, 1988 (Public Law 100–449), but does not take effect unless, and until, the Canadian Government has also completed necessary implementation procedures.

D. THE TEXTILE, APPAREL AND FOOTWEAR TRADE ACT OF 1988

The Textile, Apparel and Footwear Trade Act of 1988, H.R. 1154, would have established global import quotas on approximately 180 categories of textiles and textile products, and 30 categories of footwear products. Textile quotas would be increased by 1 percent per year and footwear quotas would be frozen at 1986 import levels. The bill also provides limited tariff compensation authority, annual reports by the President to the Congress, and a review of the quota program after ten years.

The Subcommittee on Trade held hearings on the House bill entitled the Textile, Trade and Apparel Act of 1987, on May 7 and 18, and June 2, 1987. The Committee reported H.R. 1154 on August 6, 1987, and the House passed H.R. 1154, as amended by the Committee, on September 16, 1987.

The Senate passed H.R. 1154, with an amendment in the nature of a substitute, on September 15, 1988. In addition to the provisions in the House bill, the Senate amendment added a mandatory preference for countries which purchase increasing amounts of U.S. agricultural exports, and a mandatory quota auction program for 1989.

On September 23, 1988, the House passed H. Res. 540, a self-executing rule to concur in the Senate amendment to H.R. 1154. On September 23, 1988, the final bill, the Textile, Apparel and Footwear Trade Act of 1988, was presented to the President, and on September 28, 1988 President Reagan vetoed the bill. On October 4, 1988, the House failed to override the veto.

E. OMNIBUS DRUG INITIATIVE ACT OF 1988

On June 9, 1988, Chairman Rostenkowski submitted to the Speaker of the House of Representatives, the Committee's recommendations for the Omnibus Drug Initiative Act of 1988, H.R. 5210. H.R. 5210 contains numerous provisions to toughen efforts to fight drug abuse. Title IX of that bill contains those recommendations by the Committee which strengthen the enforcement capability of the U.S. Customs Service. In summary, Title IX authorized appropriations for the U.S. Customs Service, providing for a significant increase in Customs personnel, the enhancement of Customs air-interdiction program, and the purchase of cargo scanning equipment. It also increased the penalties for failure to declare a controlled substance, and made a number of improvements in other Customs enforcement provisions. H.R. 5210 was passed by the House on September 22, 1988, and by the Senate, with amendment, on October 14, 1988. The House agreed to the Senate amendment, with an amendment, on October 22, 1988. The Senate agreed to the House amendment to the Senate amendment on October 22, 1988. H.R. 5210 was signed by the President on November 18, 1988 (Public Law 100–690).

F. MISCELLANEOUS TARIFF AND TRADE LEGISLATION

During each session of the Congress, the Subcommittee on Trade holds public hearings, and reports to the Committee, a number of miscellaneous tariff and trade bills proposing temporary duty reductions, suspensions of duties, or changes in classification relating to individual products or import entries. These bills are carefully considered in light of compelling circumstances of inadequate domestic supply, unusually demanding conditions, or long-run changes in market conditions warranting special legislation. The legislative activity devoted to miscellaneous bills provides an important oversight tool for reviewing the tariff system and its impact on individual competitive situations.

During the 100th Congress, the Subcommittee favorably reported over 100 miscellaneous tariff and trade provisions, as part of the Omnibus Trade and Competitiveness Act of 1988. The Subcommittee also favorably reported nearly 75 miscellaneous tariff and trade provisions, about one-third of which were incorporated as Title IX in TAMRA 1988.

G. ANTI-APARTHEID ACT AMENDMENTS OF 1988

H.R. 1580, as reported by the Committee on August 3, 1988, included among broader sanctions against South Africa an expansion of the existing import ban to include all products of South Africa, with an exemption for imports of certain strategic minerals, and for imports from businesses in South Africa that are wholly owned by persons economically or politically disadvantaged by apartheid. The bill, as reported, strengthened provisions of existing law calling for multilateral efforts to end apartheid and establish a nonracial democracy in South Africa. It also made miscellaneous amendments to current law relating to reporting requirements, referral of certain bills, and other matters. H.R. 1580 passed the House on August 11, 1988. No action was taken in the Senate.

H. SANCTIONS AGAINST IRAQ

H.R. 5337, the Sanctions Against Iraqi Chemical Weapons Use Act, as reported from the Committee on September 26, 1988, included, among immediate and prospective trade sanctions, the authority for the President to restrict imports from Iraq, unless he could certify that Iraq had ceased its use of chemical weapons. The bill passed the House under suspension of the rules on September 27, 1988. No separate action on H.R. 5337 was taken in the Senate. However, a modified version of the bill was added by the Senate as an amendment to H.R. 4333, TAMRA 1988, and was considered as part of the conference on that bill. The Iraqi sanctions amendment was dropped from H.R. 4333. An identical provision was added to H.R. 5550, the Anti-Terrorism and National Security Amendments Act of 1988. That bill passed the House under suspension of the rules on October 20, 1988. No action was taken by the Senate.

I. CARIBBEAN BASIN INITIATIVE

The Subcommittee on Oversight concluded, in the 100th Congress, its fact finding investigation on the impact and effectiveness

of the Caribbean Basin Economic Recovery Act ("Caribbean Basin Initiative" or "CBI"), which became effective January 1, 1984. The investigation began in the 99th Congress with extensive hearings on CBI. A congressional delegation from the Committee on Ways and Means, led by the Subcommittee Chairman, visited five countries in the Central America and the Caribbean region between January 10 and January 21, 1987.

The Subcommittee carefully considered proposed changes offered by the Administration, government officials, and private-sector investors, and examined the progress made by the Caribbean Basin countries toward reaching their economic development goals. The Subcommittee on Oversight, in a report to the Committee and the Subcommittee on Trade, recommended legislative and administrative changes to CBI, which included expansion of the duty-free treatment of exports from Caribbean Basin countries and extension of CBI for twelve years beyond its December 31, 1995, expiration date.

The Chairman of the Subcommittee on Trade introduced a bill, H.R. 3101, which reflected the Subcommittee on Oversight's recommendations, and added provisions that would further enhance duty-free treatment of exports from Caribbean Basin countries. The Subcommittee on Trade held hearings on the bill, on December 14, 1987, and March 28 and September 15, 1988. The Subcommittee on Trade plans to continue consideration of this legislation in the 101st Congress.

J. U.S. CUSTOMS SERVICE OPERATIONS

In addition to the Subcommittee on Trade's ongoing review of Customs, the Subcommittee on Oversight commenced an investigation into overall operations and activities of Customs. The investigation began with a series of meetings and site visits to Customs' facilities and port authorities, at major seaports and airports in the United States that process international cargo and passengers entering the United States. The Subcommittee Chairman led a delegation to inspect Customs' facilities and review customs operations at the airport and seaport in the Greater Miami area.

The Subcommittee held two hearings on June 9 and August 9, 1988, focusing on complaints expressed by the trade community regarding Customs' operations and practices in the following areas: use of discretionary authority; implementation of automated systems; and, the uniformity and adequacy of services to the importing community. The Subcommittee received testimony from importers, brokers, international transportation carriers, courier services, port authorities, foreign trade zone representatives and customs practitioners, who identified specific problems with Customs' operations.

The Subcommittee culminated its initial investigation with a hearing on September 27, 1988, where testimony was received from the Commissioner of Customs and other Customs officials. The hearing focused on the issues and complaints raised by the private sector at prior Subcommittee hearings.

The Subcommittee intends to continue monitoring Customs and hold hearings in the 101st Congress.

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